

EU FRAUD SCANDAL — Taxpayer billions going to organized crime as public services slashed and jobs cut

Posted by [fjwhite](#) on [November 9, 2011](#) in [NGO counterpower](#), [political action](#), [scientific & scholarly counterpower](#)

No 330 Posted by fw, November 9, 2011

This Just In — From this morning's Globe & Mail — [At the open: Stocks fall on concerns over Italy](#) 9:41 AM

Meanwhile, last December, 2010, we had this news from an investigative report –

*“For several months, the Bureau of Investigative Journalism has been looking into EU finances, and it has uncovered evidence of massive fraud. Most disturbingly, the Bureau’s Angus Stickler reports for Al Jazeera English’s People & Power, **it seems that billions of taxpayer Euros are going straight into the pockets of organized crime.**” Bureau of Investigative Journalism (BIJ)*

The above excerpt appears in the text introduction to a BIJ video report, ***In Video: Europe’s missing billions***, first broadcast in December 2010 and re-aired on June 8, 2011. The text introduction goes on to explain –

Europe is in the middle of its worst financial crisis for decades, and many are feeling the pain as people across the continent demonstrate against government cuts. As unemployment grows, public services are slashed and billions of Euros go to bailing out the banks, and the continent’s hard pressed taxpayers are being asked to embrace austerity and contribute more.

The European Union is one of the main recipients of their money. Its huge budget is drawn from its member states, hundreds of billions of Euros that are meant to be redistributed as grants, to the projects and places most in need. However not all of that money is going where it should. For several months, the Bureau of Investigative Journalism has been looking into EU finances, and it has uncovered evidence of massive fraud. Most disturbingly, the Bureau’s Angus Stickler reports for Al Jazeera English’s People & Power, it seems that billions of taxpayer Euros are going straight into the pockets of organized crime.

Watch this investigative video, ***In Video: Europe’s missing billions***, here. Most of it focuses on Mafia organized fraud in southern Italy. Below the embedded video read the key findings of a related report on the scandal.

In a related November 29, 2010 report, [EU’s hidden billions](#), by Annamarie Cumiskey and Caelainn Barr for BIJ, the investigation revealed theses key findings –

The Bureau, in collaboration with the Financial Times (FT), has created the only comprehensive database tracking every penny distributed through the EU’s Structural Funds to date.

As Europeans face the uncertainty of swingeing government cuts, the European Union continues to spend. Its structural fund program distributes €347bn of European taxpayers’

money across 271 regions in 27 countries. Yet a web of bureaucracy has hidden this spending. Even MEPs have not had a truly transparent view of the organisations getting the funds.

Over eight months the Bureau and the FT have collected data relating to billions of euros to reveal, for the first time, the 646,000 recipients that have received the funds. Our research reveals:

- How Italy's most dangerous mafia, the ndrangheta, has become an expert at getting its hands on these funds
- **A decentralized, cumbersome and weak EU system allows, and rarely punishes, fraud and misuse**
- Millions of euros are going to multinational companies to help them move factories within the union despite guidelines discouraging this practice
- Funds have been used to finance a hotel building boom on protected nature reserves in Spain
- **The lack of thorough checks means money is being wasted**
- **Some of the world's largest companies are receiving funding despite the programme being aimed at small and medium-sized companies**

The Structural Funds makeup the EU's second biggest budget after the Common Agricultural funding program. The aim of the structural funds is to redistribute Europe's wealth and lift the economies of its poorest regions. From the thousands of kilometres of roads they drive on to the museums they visit, even the fitness classes they attend, millions of Europeans are benefiting from the program. But when Europe is experiencing the worst economic crisis in decades, drastic government cutbacks have led to riots on the streets in several member states – now more than ever taxpayers need to know that their money is being well spent.

The EU does not have to cutback. Its budget is set in stone. Indeed, it is even trying to persuade national governments to pay more into the EU budget.

The debate has also begun in Brussels to reform these funds. We want this database to inform that debate by allowing the decision makers to see for themselves exactly where the money is going. And with only 25 anti-fraud investigators and a web of bureaucracy so dense that it is almost impossible to track how the money is being distributed, billions are being wasted and lost to fraud. The problem is that the money is handed over to the regions, and from then on the trail has been opaque. But now with the Bureau's and [FT's database](#) it is possible to search on a sector – hotels for example, to see which organisations have been allocated funding.

In creating the database we have gone further than any Brussels bureaucrat to shine a spotlight on how the EU is spending this taxpayers' money. The effort required to collate all the information was considerable. It involved downloading data from more than 100 websites of national and regional bodies that administer the funds, and captured in nearly 600 different files. This took months to complete. The database documents some 646,929 recipients in every member state during the current 2007-2013 spending round. We are now, in late 2010, half way through the current spending round, and the database shows how funds have been allocated up to this time. We then went further to find out exactly how the money is being spent on the ground, and this has produced a series of films and news pieces. [Including the above video and this summary report].

FAIR USE NOTICE: This blog, *Citizen Action Monitor*, may contain copyrighted material that may not have been specifically authorized by the copyright owner. Such material, published without profit, is made available for educational purposes, to advance understanding of human rights, democracy, scientific, moral, ethical, and social justice issues. It is published in accordance with the provisions of the [2004 Supreme Court of Canada ruling and its six principle criteria for evaluating fair dealing](#)

By citizensmonitor.wordpress.com

2011



EUROPEAN COMMISSION - PRESS RELEASE

Fight against Fraud: Commission publishes Annual Report

Brussels, 29 September 2011 - Today the European Commission published its Annual Report on the Protection of the EU's Financial Interests and the Fight against Fraud in 2010. The purpose of the report is to measure the risk of EU expenditure and revenues being misused through irregularities and suspected fraud. Thanks to the implementation of modernised and improved reporting systems in most Member States, the Commission has access to more and better quality data on irregularities. As a result, the number of irregularities reported increased for almost all budget sectors. This allows the Commission to aim at better and more reliable reporting, which in turn helps to better protect taxpayers' money. With EU money more effectively monitored, the Member States and the Commission can react more quickly to changing fraud patterns and implement appropriate fraud preventive actions. This is important since the best way to fight fraud is to prevent it happening in the first place.

Algirdas Šemeta, Commissioner for Taxation, Customs, Audit and Anti-Fraud, said: "The report gives us a reassuring picture. More irregularities are detected by Member States so more misused money can be returned to the EU budget. This doesn't mean, however, that the fight against fraud is over. The Commission invites those Member States that have not yet implemented the new reporting system to do so urgently. We also urge Member States that report exceptionally low levels of suspected fraud to explain how they control the spending of EU funds. EU citizens have the right to know how every last penny of their money is spent."

The internet-based reporting system (IMS) has significantly improved the overall conditions for reporting irregularities. The Commission urges Spain, France and Ireland to complete the implementation of the system by the end of 2011 to further improve the protection of EU taxpayers' money. The Commission also intends to analyse the irregularity and anti-fraud control systems put in place by the Member States in the area of Cohesion Policy in order to evaluate if and how the control systems are adapted to target areas where there is a high-risk of fraud and irregularities. Since 2010 the Commission has adopted a number of policy initiatives to fight fraud ([IP/11/783](#), [MEMO/11/454](#), [IP/11/644](#)) which will have a positive impact on the protection of EU's financial interests. The first results of these policy initiatives will be presented in the next report covering the year 2011.

Background

This Annual Report on the Protection of the EU's Financial Interest gives details about irregularities and suspected fraud reported by the Member States as well as recovery of EU funds. It is important to distinguish between irregularities and fraud. Irregularities are often the result of genuine errors when beneficiaries fulfil their reporting obligations. This could for instance include a person not correctly reporting on hours worked in a project or not respecting rules regarding a tender procedure such as requesting too few offers or accepting offers from unqualified bidders. Fraud is a deliberately committed irregularity, and constitutes a criminal offence. The real financial impact of fraud can only be measured when legal proceedings have been completed.

EU law requires Member States to notify the Commission of cases of fraud and other irregularities detrimental to financial interests in all areas of EU activity. However, the picture provided by the statistics is not necessarily complete since the Commission depends on the Member States to communicate irregularities. The figures given in the report are therefore approximate and preliminary. As a precaution, where the precise amount affected by the irregularity has not yet been determined, the figure given often relates to the scheme as a whole.

Irregularities notified per sector in 2010

Total Expenditure: The number of cases of irregularities reported increased to 10 332 in 2010 compared with 7 769 in 2009. The estimated financial impact of irregularities rose to 1.27% of total allocations in 2010 compared with 1.13% in 2009.

Agriculture: The number of cases of irregularities reported increased to 1 825 in 2010 compared with 1 621 in 2009. The estimated financial impact of irregularities fell slightly to 0.23% of total allocations in this sector in 2010 compared with 0.24% in 2009. In 2010, €175 million was recovered and the recovery rate rose to 42% from 39%.

Cohesion Policy: The number of cases of irregularities reported increased to 7 062 in 2010 compared with 4 737 in 2009. The estimated financial impact of irregularities rose to 3.15% of total allocations in this sector in 2010 compared with 2.44% in 2009. In 2010, €611 million was recovered and the recovery rate rose to 67% from 53%.

Pre-accession funds: The number of cases of irregularities reported decreased to 424 in 2010 compared with 706 in 2009. The estimated financial impact of irregularities rose to 5.26% of total allocations in this sector in 2010 compared with 3.80% in 2009. In 2010, €14 million was recovered and the recovery rate rose to 30% from 27%.

Direct Expenditure: The number of cases of irregularities reported increased to 1 021 in 2010 compared with 705 in 2009. The estimated financial impact of irregularities rose to 0.27% of total allocations in this sector in 2010 compared with 0.17% in 2009. In 2010, €25 million was recovered and the recovery rate rose to 59% from 56%.

Own Resources: The number of cases of irregularities reported decreased to 4 744 in 2010 compared with 5 204 in 2009. The estimated financial impact of irregularities rose to 1.88% of total amount of collected traditional own resources in 2010 compared with 1.84% in 2009. The money recovered as a percentage of the total amount affected by irregularities is at the time of publication 46% for the year 2010 and expected to rise, as recovery is an ongoing process..

For more information:

[MEMO/11/649](#)

Homepage of Commissioner Algirdas Šemeta, EU Taxation and Customs Union, Audit and Anti-fraud Commissioner:

http://ec.europa.eu/commission_2010-2014/semeta/index_en.htm

Link to page where the report will be published:

http://ec.europa.eu/anti_fraud/reports/index_en.html

See table in Annex for detailed breakdown of cases in each area

Number of reported irregularities and estimated financial impact in 2010

	Irregularities reported	Estimated financial impact of irregularities, incl. suspected fraud	Percentage of total allocations affected by irregularities incl. suspected fraud	Estimated financial impact of suspected fraud only	Percentage of total allocations affected by suspected fraud
		Million EUR	%	Million EUR	%
Agriculture	1 825	131	0.23	69	0.12
Cohesion Policy	7 062	1 550	3.15	364	0.74
Pre-accession funds	424	83	5.26	41	2.6%
Direct expenditure	1 021	43	0.27	4	0.02
Total expenditure	10 332	1 807	1.27	478	0.34
Own Resource	4 744	393	1.88	139	0.67

Contacts :

[David Boubliil](#) (+32 2 296 55 73)

[Natasja Bohez Rubiano](#) (+32 2 296 64 70)